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INTERNAL AUDIT DEPARTMENT

Audit No. 2236-B

October 2, 2002

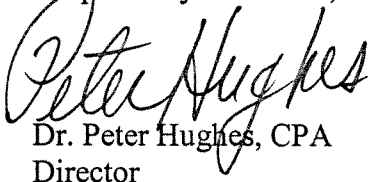
Members, Board of Supervisors
Hall of Administration Building
10 Civic Center Plaza
Santa Ana, CA 92701

Dear Honorable Board Members:

We have completed the August 2002 report of the results of our Computer-Assisted Audit Techniques (CAAT). The report is attached for your information.

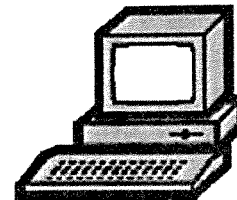
We would like to acknowledge the courtesy and cooperation extended to us by the personnel of the Auditor-Controller's Office. As always, I remain available to answer any questions you may have. Please contact me directly or Eli Litter, Deputy Director at (714) 834-5899 if we can be of further assistance.

Respectfully submitted,


Dr. Peter Hughes, CPA
Director

Attachment

cc: Members, Audit Oversight Committee
Dr. Michael Schumacher, County Executive Officer
David Sundstrom, Auditor-Controller
Robert Leblow, Manager, Auditor-Controller/Claims & Disbursing Section
Darlene J. Bloom, Clerk of the Board of Supervisors
Foreman, Grand Jury



Monthly Report on
Computer-Assisted Audit Techniques
(CAAT)
Report Date: August 30, 2002

Audit No. 2236-B

Audit Director:	Dr. Peter Hughes, CPA, CITP
Deputy Director:	Eli Littner, CPA
Audit Manager:	Autumn McKinney
Staff Auditor:	Leigh Riddle



Internal Audit Department

COUNTY OF ORANGE

CAAT Program:

This report details the monthly activity and findings from establishing Computer-Assisted Auditing Techniques (known by the acronym CAAT) as a part of our audit coverage. We are using a proprietary, state-of-the-art/best practices and industry recognized software product to help us in this process. We are keeping the details of our process and the vulnerabilities identified to a general discussion because of the risks associated with disclosing specific details of our financial and accounting processes.

The CAAT is a continuing and evolving audit process with the goal of developing a toolset of computer-routines and techniques that will analyze patterns in the individual data elements of the County's financial data. The resulting data/exceptions will be subjected to further review, analysis validation, recovery and evaluation of internal control enhancements whose purpose is to prevent future occurrences of the findings identified by the CAAT process.

One new CAAT routine was added this month - Employee Vendors. This new routine identifies County employees who may also be acting as vendors. See further discussion in item 2 below.

1. CAAT Performed: **Duplicate Payments.** We used a CAAT application to identify potential duplicate payments.

Results:

With this CAAT application, we identified 10 invoices totaling \$12,561 in possible duplicate payments. All potential duplicates relate to payments that were paid during the months of June and/or July of 2002.

This CAAT focuses only on a sub-set of the invoices paid by the County that possess certain common attributes. The CAAT reviews the attributes and highlights potential duplicate payments for further review and verification. During the months of July and June 2002, a total of 46,225 invoices for \$203,381,893 were added to this data sub-set.

Currently, the total sub-set of data includes 322,433 invoices totaling \$2,061,569,501. The total data file that the sub-set is derived from includes 1,246,729 records totaling \$3,427,500,999.

2. CAAT Performed: **Employee Vendors.** We used a CAAT application to identify instances where County employees have been established as authorized vendors in the CAPS/Accounts Payable system.

Results:

Our initial review found that 1,378 recent employees were established as authorized vendors in the CAPS/Accounts Payable system enabling them to receive vendor payments. Our review period was approximately the fiscal year ending June 30, 2002.

Of the 1,378 employees identified, we found that 1,144 did not receive any vendor payments, 56 employees received payments for items that appeared to be reasonable and appropriate, and 178 received payments for apparent independent contractor services.

The list of 178 employee vendor payments was presented to, and is being researched by the Auditor-Controller's Claims and Disbursing Section to determine if employee/vendor arrangements have been appropriately authorized.

Attachments – Provided to Auditor-Controller only